MACQUARIE BANK

2024 Management Discussion and Analysis

Macquarie Bank
Year ended 31 March 2024

Macquarie Bank Limited
ACN 008 583 542

Notice to readers

The purpose of this report is to provide information supplementary to the Macquarie Bank Limited Disclosure Report (U.S. Version) for the year ended 31 March 2024 and the Financial Report within the Macquarie Bank Limited Annual Report (the Financial Report) for the year ended 31 March 2024, including further detail in relation to key elements of Macquarie Bank Limited and its subsidiaries' (Macquarie Bank, the Consolidated Entity) financial performance and financial position. The report also outlines the funding and capital profile of the Consolidated Entity.

Certain financial information in this report is prepared on a different basis to that contained in the Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this report does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

Date of this report

This report has been prepared for the year ended 31 March 2024 and is current as at 3 May 2024.

Explanatory notes

Comparative information and conventions
Where necessary, comparative figures have been restated to conform to changes in current year financial presentation and group structures.

References to the prior year are to the 12 months ended 31 March 2023.

References to the first half are to the six months ended 30 September 2023.

References to the second half are to the six months ended 31 March 2024.

In the financial tables throughout this document '*' indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

Independent Auditor's Report

This document should be read in conjunction with the Financial Report for the year ended 31 March 2024, which was subject to independent audit by PricewaterhouseCoopers.

PricewaterhouseCoopers' independent auditor's report to the members of Macquarie Bank Limited dated 3 May 2024 was unqualified.

Any additional financial information in this document which is not included in the Financial Report was not subject to independent audit by PricewaterhouseCoopers.

Disclaimer

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Results Overview

1.1 Executive Summary

FY2024 net profit
$A2,912m
↓ 25% on prior year

FY2024 net operating income
$A11,566m
↓ 10% on prior year

FY2024 operating expenses
$A7,491m
↑ 2% on prior year

FY2024 net profit contribution[1] by Operating Group

Summary of the Operating Groups' performance for the year ended 31 March 2024.

Banking and Financial Services (BFS)

$A1,241m

↑ 3% on prior year due to

- higher net interest and trading income driven by growth in the loan portfolio and BFS deposits, and the full year benefit of the rising interest rate environment, partially offset by margin compression due to changes in portfolio mix, lending competition and higher funding costs
- higher fee and commission income driven by growth in average funds on platform, as well as higher lending and transaction volumes
- credit impairment reversals largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.

Partially offset by:

- higher operating expenses driven by higher employment expenses and increased technology investment to support portfolio growth, compliance and regulatory requirements.

Commodities and Global Markets (CGM)

$A3,116m

↓ 46% on prior year due to

- substantially lower inventory management and trading income driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts
- decreased risk management income primarily in EMEA Gas and Power, and Resources due to decreased client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year. The decrease was partially offset by an increased contribution from Agricultural markets
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, compliance and regulatory spend and higher employment expenses.

Partially offset by:

- increased foreign exchange, interest rate and credit products income driven by increased client hedging activity in foreign exchange and interest rate products and an increased contribution from the Futures business
- increased operating lease income driven by increased volumes in technology and energy sectors.

Corporate

Net expenses of **$A1,445m**

↓54% on prior year due to

- increased net interest and trading income, primarily driven by increased earnings on capital reflecting higher central bank interest rates and higher average volumes, improved returns on Group Treasury's liquid asset portfolio, and the deployment of the Banking Group's previously elevated centrally held liquidity and funding surpluses by the Operating Groups
- reduced operating expenses driven by lower performance-related profit share expense as a result of the performance of the Consolidated Entity and lower expenses on certain legacy and other transaction-related charges
- increase in fee and commission income, reflecting higher recoveries from the Non-Bank of the Central Service Groups' cost base.

[1] Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

1.1 Executive Summary

Continued

Profit attributable to the ordinary equity holder

$A2,912m

↓ 25% on prior year

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	*Movement*	**Mar 24**	Mar 23	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Financial Performance Summary						
Net interest income	**1,671**	1,460	*14*	**3,131**	2,640	*19*
Net trading income	**2,665**	2,605	*2*	**5,270**	7,387	*(29)*
Fee and commission income	**1,350**	1,241	*9*	**2,591**	2,317	*12*
Net credit impairment reversals/(charges)	**40**	(6)	*	**34**	(116)	*
Net other impairment reversals/(charges)	**16**	(1)	*	**15**	2	*
Net other operating income	**247**	278	*(11)*	**525**	561	*(6)*
Net operating income	**5,989**	5,577	*7*	**11,566**	12,791	*(10)*
Employment expenses	**(2,423)**	(2,488)	*(3)*	**(4,911)**	(4,758)	*3*
Brokerage, commission and fee expenses	**(316)**	(278)	*14*	**(594)**	(520)	*14*
Non-salary technology expenses	**(467)**	(475)	*(2)*	**(942)**	(890)	*6*
Other operating expenses	**(535)**	(509)	*5*	**(1,044)**	(1,212)	*(14)*
Total operating expenses	**(3,741)**	(3,750)	*(<1)*	**(7,491)**	(7,380)	*2*
Operating profit before income tax	**2,248**	1,827	*23*	**4,075**	5,411	*(25)*
Income tax expense	**(653)**	(510)	*28*	**(1,163)**	(1,506)	*(23)*
Profit attributable to ordinary equity holder of Macquarie Bank Limited	**1,595**	1,317	*21*	**2,912**	3,905	*(25)*
Key Metrics						
Expense to income ratio (%)	**62.5**	67.2		**64.8**	57.7	
Effective tax rate (%)	**29.0**	27.9		**28.5**	27.8	

1.1 Executive Summary

Continued

Net operating income

Net operating income of $A11,566 million for the year ended 31 March 2024 decreased 10% from $A12,791 million in the prior year. This decrease was mainly driven by lower net interest and trading income, partially offset by higher fee and commission income and credit and other impairment reversals in the current year.

Net interest and trading income

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
8,401	10,027

↓16% on prior year

This movement was largely driven by:

- substantially lower inventory management and trading income driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts, in CGM
- decreased risk management income, primarily in EMEA Gas and Power, and Resources due to decreased client hedging, in CGM.

Partially offset by:

- higher earnings on capital reflecting higher central bank interest rates
- growth in the loan portfolio and BFS deposits, and the full year benefit of the rising interest rate environment, partially offset by margin compression due to changes in portfolio mix, lending competition and higher funding costs
- improved returns on Group Treasury's liquid asset portfolio.

Fee and commission income

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
2,591	2,317

↑12% on prior year

This movement was largely driven by:

- higher income due to fees received from the Non-Bank Group for services provided by the Central Service Groups reflecting a higher underlying Central Service Groups cost base
- increased client activity in the Futures business, in CGM
- higher average wealth management and banking and lending fee income driven by growth in average funds on platform and higher lending and transaction volumes, in BFS.

Credit and other impairment reversals/(charges)

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
49	(114)

↑ significantly on prior year

This movement was largely driven by:

- release of credit provisions due to improvement in the macroeconomic outlook.

Partially offset by:

- changes in composition of portfolio growth, in BFS.

Net other operating income

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
525	561

↓6% on prior year

This movement was largely driven by:

- unfavourable fair value movements on a small number of unlisted equity investments in CGM.

1.1 Executive Summary

Continued

Operating expenses

Total operating expenses of $A7,491 million for the year ended 31 March 2024 increased 2% from $A7,380 million in the prior year.

Employment expenses

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
4,911	4,758

↑**3%** on prior year

This movement was largely driven by:

- higher salary and related expenses from higher average headcount and wage inflation
- unfavourable foreign exchange movements
- higher share-based payments expense mainly driven by the prior year's performance of the Consolidated Entity
- higher one-off staff costs.

Partially offset by:

- lower performance-related profit share expenses as a result of the performance of the Consolidated Entity.

Brokerage, commission and fee expenses

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
594	520

↑**14%** on prior year

This movement was largely driven by:

- unfavourable foreign exchange movements
- increased trading and brokerage activities in CGM
- increased transaction volumes in BFS.

Non-salary technology expenses

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
942	890

↑**6%** on prior year

This movement was largely driven by:

- increased investment in technology initiatives, with a focus on data and digitalisation, to support business growth and compliance.

Other operating expenses

FULL YEAR TO	
31 Mar 24	31 Mar 23
$Am	$Am
1,044	1,212

↓**14%** on prior year

This movement was largely driven by:

- lower expenses on certain legacy and other transaction-related charges
- lower professional fees.

Partially offset by:

- higher occupancy expenses
- increased indirect and other taxes.

Income tax expense

Income tax expense of $A1,163 million for the year ended 31 March 2024 decreased 23% from $A1,506 million in the prior year. The effective tax rate for the year ended 31 March 2024 was 28.5%, up from 27.8% in the prior year.

The higher effective tax rate compared to the prior year was mainly driven by the geographic composition and nature of earnings.

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Financial Performance Analysis

2.1 Net Interest and Trading Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	*Movement*	**Mar 24**	Mar 23	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Net interest income	**1,671**	1,460	*14*	**3,131**	2,640	*19*
Net trading income	**2,665**	2,605	*2*	**5,270**	7,387	*(29)*
Net interest and trading income	**4,336**	4,065	*7*	**8,401**	10,027	*(16)*

Net interest income and net trading income are recorded in accordance with Australian Accounting Standards. Net interest income is brought to account using the effective interest method, while net trading income predominantly relates to gains and losses associated with trading activities.

For CGM, which predominantly earns income from trading-related activities, the relative contribution of net interest income and net trading income from those activities can vary from period to period depending on the underlying trading strategies undertaken by the Consolidated Entity and its clients.

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in the fair value are presented in net trading income and give rise to income statement volatility unless designated in hedge accounting relationships. If designated in fair value hedge accounting relationships, the carrying value of the hedged items are adjusted for changes in the fair value attributable to the hedged risks to reduce volatility in the income statement. If designated in cash flow hedge accounting relationships, the effective portion of the derivatives' fair value gains or losses are deferred in the cash flow hedge reserve as part of Other Comprehensive Income (OCI), and subsequently recognised in the income statement at the time at which the hedged items affect the income statement for the hedged risks. For segment reporting, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

The presentation of net interest income and net trading income separately can distort the analysis of the underlying activities and drivers. For example, within Asset Finance (a business within CGM), interest rate swaps are entered into to hedge the interest rate risk associated with loan assets. The interest income and associated funding costs are recognised in net interest income, however, the related swaps are recognised in net trading income. Accordingly, net interest income and net trading income are presented and discussed below in aggregate for each Operating Group, which management believes presents a more consistent overview of business performance and allows for a better analysis of the underlying activities and drivers.

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	*Movement*	**Mar 24**	Mar 23	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
BFS	**1,285**	1,360	*(6)*	**2,645**	2,520	*5*
CGM						
Commodities	**1,849**	1,458	*27*	**3,307**	5,852	*(43)*
Foreign exchange, interest rates and credit	**574**	574	*–*	**1,148**	965	*19*
Equities	**140**	188	*(26)*	**328**	366	*(10)*
Asset Finance	**39**	31	*26*	**70**	98	*(29)*
Corporate	**449**	454	*(1)*	**903**	226	*300*
Net interest and trading income	**4,336**	4,065	*7*	**8,401**	10,027	*(16)*

2.1 Net Interest and Trading Income

Continued

Net interest and trading income of $A8,401 million for the year ended 31 March 2024 decreased 16% from $A10,027 million in the prior year.

BFS

Net interest and trading income relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of $A2,645 million for the year ended 31 March 2024 increased 5% from $A2,520 million in the prior year, primarily due to 11% growth in the average loan portfolio[1], 14% growth in average BFS deposit volumes[1] and the full year benefit of the rising interest rate environment. This was partially offset by margin compression from changes in portfolio mix, ongoing lending competition and higher funding costs.

As at 31 March 2024 the loan and deposit portfolios included:

- home loan volumes[2] of $A119.3 billion, up 10% from $A108.1 billion as at 31 March 2023
- business banking loan volumes of $A15.8 billion, up 22% from $A13.0 billion as at 31 March 2023
- car loan volumes of $A4.6 billion, down 25% from $A6.1 billion as at 31 March 2023, and
- BFS deposits[3] of $A142.7 billion, up 10% from $A129.4 billion as at 31 March 2023.

CGM

Net interest and trading income of $A4,853 million for the year ended 31 March 2024 decreased 33% from $A7,281 million in the prior year.

Commodities

Net interest and trading income from commodity related activities is generated from the provision of hedging and risk management services and loans and working capital finance to clients across a range of commodity sectors including metals, energy and agriculture.

Income from risk management is driven by managing clients' exposure to commodity price volatility, which is supported by our strong internal risk management framework.

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including resources, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

For inventory management and trading, CGM enters into financial and physical contracts including exchange traded derivatives, OTC derivatives, storage and transport contracts as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage and transport contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accrual basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Net interest and trading income from commodities of $A3,307 million for the year ended 31 March 2024 decreased 43%, from $A5,852 million in the prior year.

Risk management income decreased from the prior year, primarily in EMEA Gas and Power, and Resources due to lower client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year. This was partially offset by an increased contribution from Agricultural markets.

Lending and financing income increased on the prior year due to increased volumes across energy and resources sectors.

Inventory management and trading income was substantially lower compared to the prior year driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts.

Foreign exchange, interest rates and credit

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of hedging and trading services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of $A1,148 million for the year ended 31 March 2024 increased 19% from $965 million the prior year from increased client hedging activity in foreign exchange and interest rate products, as well as an increased contribution from the Futures business.

[1] Calculations based on average volumes net of offset accounts.
[2] Home loan volumes exclude offset accounts.
[3] BFS deposits include home loan offset accounts.

2.1 Net Interest and Trading Income

Continued

Equities

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the provision of risk management and trading activities.

Equities net interest and trading income of $A328 million for the year ended 31 March 2024 decreased 10% from $A366 million the prior year, due to lower volatility in warrant markets.

Corporate

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, with the Operating Groups assumed to be fully debt funded for the purposes of the internal funding charges. The Corporate segment also includes earnings on capital, the funding benefit derived from the Group's capital base, funding costs associated with investments held centrally, and accounting volatility arising from movements in underlying interest rates relating to economically hedged positions where hedge accounting is not applied.

Net interest and trading income of $A903 million for the year ended 31 March 2024 increased from $A226 million in the prior year, and reflects the benefit derived from the Group's capital and liquidity management in the current interest rate environment.

The movement included increased earnings on capital reflecting higher central bank interest rates and higher average volumes, improved returns on Group Treasury's liquid asset portfolio, and deployment of the Banking Group's previously elevated centrally held liquidity and funding surpluses by the Operating Groups.

2.2 Fee and Commission Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	*Movement*	**Mar 24**	Mar 23	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Brokerage and other trading-related fees	**182**	152	*20*	**334**	285	*17*
Portfolio administration fees	**148**	148	*–*	**296**	272	*9*
Other fee and commission income	**1,020**	941	*8*	**1,961**	1,760	*11*
Total fee and commission income	**1,350**	1,241	*9*	**2,591**	2,317	*12*

Fee and commission income comprises Brokerage and other trading-related fee income, Portfolio administration fees and Other fee and commission income. Brokerage and other trading-related fees primarily includes brokerage income from the Equity Derivatives and Trading and Futures businesses in CGM and brokerage income from the provision of wealth services in BFS. Portfolio administration fees include fees earned on the BFS Wrap Platform. Other fee and commission income includes fees earned on a range of BFS' products and services including BFS Wrap and Vision platforms, home loans, car loans, credit cards, business loans and deposits, while Other fee and commission income from CGM includes income from structured, index and retail products. In addition, since the transfer of the service entities to the Consolidated Entity in November 2020, Other fee and commission income includes fees received from the Non-Bank Group for services provided by the Central Service Groups.

Total fee and commission income of $A2,591 million for the year ended 31 March 2024 increased 12% from $A2,317 million in the prior year. The increase was primarily driven by higher income due to fees received from the Non-Bank Group for services provided by the Central Service Groups reflecting a higher underlying Central Service Groups cost base. In addition, increased hedging and trading related fees in CGM and higher average funds on platform contributed to higher fee income in BFS.

2.3 Credit and Other Impairment Reversals/(Charges)

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	*Movement*	**Mar 24**	Mar 23	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Credit impairment reversals/(charges)						
Loan assets	**15**	14	*7*	**29**	(100)	*
Margin money and settlement assets	**3**	8	*(63)*	**11**	33	*(67)*
Financial investments, other assets and off balance sheet exposures	**22**	(28)	*	**(6)**	(52)	*(88)*
Gross credit impairment reversals/(charges)	**40**	(6)	*	**34**	(119)	*
Recovery of amounts previously written off	**–**	–	–	**–**	3	*(100)*
Net credit impairment reversals/(charges)	**40**	(6)	*	**34**	(116)	*
Other impairment reversals/(charges)						
Interests in associates and joint ventures	**19**	–	*	**19**	1	*
Intangible and other non-financial assets	**(3)**	(1)	*200*	**(4)**	1	*
Net other impairment reversals/(charges)	**16**	(1)	*	**15**	2	*
Total credit and other impairment reversals/(charges)	**56**	(7)	*	**49**	(114)	*

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	*Movement*	**Mar 24**	Mar 23	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
BFS	**38**	(23)	*	**15**	(34)	*
CGM	**9**	(1)	*	**8**	(53)	*
Corporate	**9**	17	*(47)*	**26**	(27)	*
Total credit and other impairment reversals/(charges)	**56**	(7)	*	**49**	(114)	*

Total credit and other impairment reversals of $A49 million for the year ended 31 March 2024 compared to charges of $A114 million in the prior year.

Net credit impairment reversals of $A34 million compared to charges of $A116 million in the prior year, were largely due to an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth, in BFS.

2.3 Credit and Other Impairment Reversals/(Charges)

Continued

BFS

Net credit and other impairment reversals of $A15 million for the year ended 31 March 2024 compared to charges of $A34 million in the prior year were largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.

CGM

Net credit and other impairment reversals of $A8 million for the year ended 31 March 2024 compared to charges of $A53 million in the prior year were driven by an improvement in the macroeconomic outlook, partially offset by additional impairments on a small number of specific exposures in the commodities sector.

Corporate

Net credit and other impairment reversals of $A26 million for the year ended 31 March 2024 compared to charges of $A27 million in the prior year, driven by a partial release of centrally held provisions for expected credit losses driven by an improvement in the macroeconomic outlook.

For further information on the Consolidated Entity's determination of its expected credit losses, please refer to Note 12 *Expected credit losses* in the Financial Report.

2.4 Net Other Operating Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 $Am	Sep 23 $Am	*Movement %*	**Mar 24 $Am**	Mar 23 $Am	*Movement %*
Investment income/(losses)						
Net gain on sale of interests in associates and joint ventures	–	31	*(100)*	**31**	39	*(21)*
Net (loss)/gain on financial investments and non-financial assets	**(7)**	(5)	*40*	**(12)**	8	*
Share of net profits from associates and joint ventures	**27**	14	*93*	**41**	26	*58*
Total investment income	**20**	40	*(50)*	**60**	73	*(18)*
Rental income	**440**	416	*6*	**856**	724	*18*
Depreciation	**(220)**	(203)	*8*	**(423)**	(346)	*22*
Net operating lease income	**220**	213	*3*	**433**	378	*15*
Other income	**7**	25	*(72)*	**32**	110	*(71)*
Total net other operating income	**247**	278	*(11)*	**525**	561	*(6)*

Total net other operating income of $A525 million for the year ended 31 March 2024 decreased 6% from $A561 million in the prior year.

Investment income

Investment income of $A60 million for the year ended 31 March 2024 decreased 18% from $A73 million in the prior year, primarily due to unfavourable fair value movements on a small number of unlisted equity investments in CGM.

Net operating lease income

Net operating lease income of $A433 million for the year ended 31 March 2024 increased 15% from $A378 million in the prior year, primarily driven by increased volumes in technology and energy sectors, in CGM.

Other Income

Other income of $A32 million for the year ended 31 March 2024 decreased 71% from $A110 million in the prior year, mainly driven by lower sales in a number of portfolio companies in CGM, and lower earnings from investments in Corporate.

2.5 Operating Expenses

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	*Movement*	**Mar 24**	Mar 23	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Employment expenses						
Salary and related costs including commissions, superannuation and performance-related profit share	**(2,076)**	(2,061)	*1*	**(4,137)**	(4,015)	*3*
Share-based payments	**(200)**	(246)	*(19)*	**(446)**	(417)	*7*
Provision for long service leave and annual leave	**(5)**	(29)	*(83)*	**(34)**	(46)	*(26)*
Total compensation expenses	**(2,281)**	(2,336)	*(2)*	**(4,617)**	(4,478)	*3*
Other employment expenses including on-costs, staff procurement and staff training	**(142)**	(152)	*(7)*	**(294)**	(280)	*5*
Total employment expenses	**(2,423)**	(2,488)	*(3)*	**(4,911)**	(4,758)	*3*
Brokerage, commission and fee expenses	**(316)**	(278)	*14*	**(594)**	(520)	14
Non-salary technology expenses	**(467)**	(475)	*(2)*	**(942)**	(890)	*6*
Other operating expenses						
Occupancy expenses	**(162)**	(158)	*3*	**(320)**	(268)	*19*
Professional fees	**(120)**	(104)	*15*	**(224)**	(265)	*(15)*
Travel and entertainment expenses	**(33)**	(40)	*(18)*	**(73)**	(77)	*(5)*
Indirect and other taxes	**(54)**	(67)	*(19)*	**(121)**	(96)	*26*
Fees for audit and other services	**(19)**	(17)	*12*	**(36)**	(51)	*(29)*
Amortisation of intangible assets	**(2)**	(3)	*(33)*	**(5)**	(11)	*(55)*
Advertising and promotional expenses	**(24)**	(20)	*20*	**(44)**	(59)	*(25)*
Other	**(121)**	(100)	*21*	**(221)**	(385)	*(43)*
Total other operating expenses	**(535)**	(509)	*5*	**(1,044)**	(1,212)	*(14)*
Total operating expenses	**(3,741)**	(3,750)	*(<1)*	**(7,491)**	(7,380)	*2*

Total operating expenses of $A7,491 million for the year ended 31 March 2024 increased 2% from $A7,380 million in the prior year. The increase was primarily driven by unfavourable foreign exchange rate movements, higher salary and related expenses from average headcount growth, wage inflation and one-off staff costs, as well as higher share-based payments expense. This was largely offset by lower performance-related profit share expenses, reduced other expenses and lower professional fees.

The movement was driven by:

- Total employment expenses of $A4,911 million for the year ended 31 March 2024 increased 3% from $A4,758 million in the prior year, primarily driven by higher salary and related expenses due to average headcount growth, wage inflation and one-off staff costs, higher share-based payments expense, mainly driven by the prior year's performance of the Consolidated Entity as well as unfavourable foreign exchange movements. This was partially offset by lower performance-related profit share expenses as a result of the performance of the Consolidated Entity.
- Brokerage, commission and fee expenses of $A594 million for the year ended 31 March 2024 increased 14% from $A520 million in the prior year, primarily driven by increased trading and brokerage activities in CGM and higher transaction volumes in BFS.
- Non-salary technology expenses of $A942 million for the year ended 31 March 2024 increased 6% from $A890 million in the prior year, primarily due to an increased investment in technology initiatives, with a focus on data and digitalisation, to support business growth and compliance.
- Total other operating expenses of $A1,044 million for the year ended 31 March 2024 decreased 14% from $A1,212 million in the prior year, mainly due to lower expenses on certain legacy and other transaction-related charges, as well as lower professional fees, partially offset by higher occupancy expenses and increased indirect and other taxes.

2.6 Headcount

	AS AT			MOVEMENT	
	Mar 24	Sep 23	Mar 23	*Sep 23 %*	*Mar 23 %*
Headcount by Operating Group[1]					
BFS	**3,690**	4,015	3,819	*(8)*	*(3)*
CGM	**2,399**	2,315	2,223	*4*	*8*
Total headcount – Operating Groups	**6,089**	6,330	6,042	*(4)*	*1*
Total headcount – Corporate	**10,172**	10,392	9,956	*(2)*	*2*
Total headcount	**16,261**	16,722	15,998	*(3)*	*2*
Headcount by region					
Australia[2]	**9,247**	9,561	9,132	*(3)*	*1*
International:					
Americas	**1,749**	1,829	1,773	*(4)*	*(1)*
Asia	**3,339**	3,433	3,315	*(3)*	*1*
Europe, Middle East and Africa	**1,926**	1,899	1,778	*1*	*8*
Total headcount – International	**7,014**	7,161	6,866	*(2)*	*2*
Total headcount	**16,261**	16,722	15,998	*(3)*	*2*
International headcount ratio (%)	**43**	43	43		

Total headcount increased 2% to 16,261 as at 31 March 2024 from 15,998 as at 31 March 2023. The increase was driven by investment in additional technology capability as well as increased compliance and regulatory initiatives. This was largely offset by operational efficiency savings enabled through investment in technology and transformation initiatives.

[1] Headcount numbers in this document includes staff employed in certain operationally segregated subsidiaries (OSS).
[2] Includes New Zealand.

2.7 Income Tax Expense

	FULL YEAR TO	
	Mar 24	Mar 23
	$Am	$Am
Operating profit before income tax	**4,075**	5,411
Prima facie tax @ 30%	**1,223**	1,623
Income tax permanent differences	**(60)**	(117)
Income tax expense	**1,163**	1,506
Effective tax rate	**28.5 %**	27.8 %

Income tax expense of $A1,163 million for the year ended 31 March 2024 decreased 23% from $A1,506 million in the prior year. The effective tax rate for the year ended 31 March 2024 was 28.5%, up from 27.8% in the prior year.

The higher effective tax rate compared to the prior year was mainly driven by the geographic composition and nature of earnings.

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03
Segment Analysis

3.1 Basis of Preparation

Operating Segments

AASB 8 *Operating Segments* requires the 'management approach' to disclosing information about the Consolidated Entity's reportable segments. The financial information is reported on the same basis as used internally by Senior Management for evaluating Operating Segment performance and for deciding how to allocate resources to Operating Segments. Such information may be produced using different measures to that used in preparing the statutory income statement.

For internal reporting, performance measurement and risk management purposes, the Consolidated Entity is divided into Operating Groups and a Corporate segment (reportable segments).

The financial information disclosed relates to the Consolidated Entity's ordinary activities.

These segments have been set up based on the different core products and services offered. The Operating Groups comprise:

- **BFS** which provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** which is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups. Any individually immaterial balance not attributable to an Operating Segment is also reported as part of the Corporate segment.

Items of income and expense within the Corporate segment include the net result of managing Macquarie Bank's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied, as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable.

Other items of income and expense within the Corporate segment include earnings from investments, changes in central overlays to credit and other impairments or valuation of assets, provisions for legacy matters, unallocated head office costs and costs of Central Service Groups. The Corporate segment also includes performance-related profit share and share-based payments expense and income tax expense.

Below is a selection of key policies applied in determining the Operating Segment results.

Internal funding arrangements

Group Treasury has the responsibility for managing wholesale funding for the Consolidated Entity, and Operating Groups obtain their required funding from Group Treasury. The Operating Groups are assumed to be fully debt funded for the purposes of internal funding charges. The interest rates charged by Group Treasury are determined by the currency and term of the funding.

Generally, with the exception of deposit funding, Operating Groups may only source funding directly from external sources where the funding is secured by the Operating Group's assets. In such cases, Operating Groups bear the funding costs directly and Group Treasury may levy additional charges, where appropriate.

Transactions between Operating Segments

Operating Segments that enter into arrangements with other Operating Segments must do so on commercial terms or as agreed by the Consolidated Entity's Chief Executive Officer or Chief Financial Officer.

Internal transactions are recognised in each of the relevant categories of income and expense and eliminated on consolidation as appropriate.

3.1 Basis of Preparation

Continued

Accounting for derivatives that economically hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in the fair value are presented in net trading income and give rise to income statement volatility unless designated in hedge accounting relationships. If designated in fair value hedge accounting relationships, the carrying value of the hedged items are adjusted for changes in fair value attributable to the hedged risks to reduce volatility in the income statement. If designated in cash flow hedge accounting relationships, the effective portion of the derivatives' fair value gains or losses are deferred in the cash flow hedge reserve as part of Other Comprehensive Income (OCI), and subsequently recognised in the income statement at the time at which the hedged items affect the income statement for the hedged risks. For segment reporting, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

Central Service Groups

The Central Service Groups provide a range of functions supporting MGL's Operating Groups, ensuring they have the appropriate workplace support and systems to operate effectively and the necessary resources to meet their regulatory, compliance, financial, legal and risk management requirements.

Central Service Groups recover their costs from Operating Groups generally on either a time and effort allocation basis or a fee for service basis. Central Service Groups include the Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance Group (LGG) and Central Executive.

Performance-related profit share and share-based payments expense

Performance-related profit share and share-based payments expense relating to the Macquarie Group Employee Retained Equity Plan (MEREP) are recognised in the Corporate segment and are not allocated to Operating Groups.

Income tax

The income tax expense and benefit is recognised in the Corporate segment and are not allocated to the Operating Groups. However, to recognise an Operating Group's contribution to permanent income tax differences, the internal management revenue/charge category is used.

This internal management revenue/charge category, which is primarily used for permanent income tax differences generated by the Operating Groups, is offset by an equal and opposite amount recognised in the Corporate segment such that they are eliminated on consolidation.

Presentation of segment income statements

The income statements on the following pages for each of the reported segments are in some cases summarised by grouping non-material balances together. Where appropriate, all material or key balances have been reported separately to provide users with information relevant to the understanding of the Consolidated Entity's financial performance. The financial information disclosed relates to the Consolidated Entity's ordinary activities.

3.1 Basis of Preparation

Continued

	BFS $Am	CGM $Am	Corporate $Am	**Total $Am**
Full year ended 31 March 2024				
Net interest and trading income	2,645	4,853	903	**8,401**
Fee and commission income	554	573	1,464	**2,591**
Other operating income and charges				
Net credit and other impairment reversals	15	8	26	**49**
Net other operating income and charges	(6)	522	9	**525**
Internal management revenue/(charges)	1	23	(24)	**–**
Net operating income	3,209	5,979	2,378	**11,566**
Total operating expenses	(1,968)	(2,863)	(2,660)	**(7,491)**
Operating profit/(loss) before income tax	1,241	3,116	(282)	**4,075**
Income tax expense	–	–	(1,163)	**(1,163)**
Net profit/(loss) contribution	**1,241**	**3,116**	**(1,445)**	**2,912**
Full year ended 31 March 2023				
Net interest and trading income	2,520	7,281	226	**10,027**
Fee and commission income	504	517	1,296	**2,317**
Other operating income and charges				
Net credit and other impairment charges	(34)	(53)	(27)	**(114)**
Net other operating income and charges	(20)	535	46	**561**
Internal management (charges)/revenue	(10)	28	(18)	**–**
Net operating income	2,960	8,308	1,523	**12,791**
Total operating expenses	(1,759)	(2,488)	(3,133)	**(7,380)**
Operating profit/(loss) before income tax	1,201	5,820	(1,610)	**5,411**
Income tax expense	–	–	(1,506)	**(1,506)**
Net profit/(loss) contribution	**1,201**	**5,820**	**(3,116)**	**3,905**

3.2 BFS

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 $Am	Sep 23 $Am	*Movement %*	**Mar 24 $Am**	Mar 23 $Am	*Movement %*
Net interest and trading income	**1,285**	1,360	*(6)*	**2,645**	2,520	*5*
Fee and commission income						
Wealth management fee income	**187**	184	*2*	**371**	340	*9*
Banking and leasing fee income	**94**	89	*6*	**183**	164	*12*
Total fee and commission income	**281**	273	*3*	**554**	504	*10*
Other operating income and charges						
Net credit and other impairment reversals/(charges)	**38**	(23)	*	**15**	(34)	*
Other (expenses)/income	**(4)**	(2)	*100*	**(6)**	(20)	*(70)*
Total other operating income and charges	**34**	(25)	*	**9**	(54)	*
Internal management revenue/(charge)	**-**	1	*(100)*	**1**	(10)	*
Net operating income	**1,600**	1,609	*(1)*	**3,209**	2,960	*8*
Operating expenses						
Employment expenses	**(314)**	(321)	*(2)*	**(635)**	(530)	*20*
Brokerage, commission and fee expenses	**(81)**	(65)	*25*	**(146)**	(125)	*17*
Technology expenses[1]	**(305)**	(326)	*(6)*	**(631)**	(562)	*12*
Other operating expenses	**(297)**	(259)	*15*	**(556)**	(542)	*3*
Total operating expenses	**(997)**	(971)	*3*	**(1,968)**	(1,759)	*12*
Net profit contribution	**603**	638	*(5)*	**1,241**	1,201	*3*
Non-GAAP metrics						
Funds on platform ($Ab)[2]	**141.8**	125.1	*13*	**141.8**	123.1	*15*
Loan and lease portfolio ($Ab)[3]	**140.2**	134.4	*4*	**140.2**	127.7	*10*
BFS deposits ($Ab)[4]	**142.7**	131.2	*9*	**142.7**	129.4	*10*
Headcount	**3,690**	4,015	*(8)*	**3,690**	3,819	*(3)*

Net profit contribution of $A1,241 million for the year ended 31 March 2024 increased 3% from the prior year due to:

- higher net interest and trading income driven by growth in the loan portfolio and BFS deposits, and the full year benefit of the rising interest rate environment, partially offset by margin compression due to changes in portfolio mix, lending competition and higher funding costs
- higher fee and commission income driven by growth in average funds on platform, as well as higher lending and transaction volumes
- credit impairment reversals largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.

Partially offset by:

- higher operating expenses driven by higher employment expenses and increased technology investment to support portfolio growth, compliance and regulatory requirements.

[1] Technology expenses include technology staff expenses, depreciation of technology assets, amortisation of capitalised software and maintenance costs.
[2] Funds on platform includes Macquarie Wrap and Vision.
[3] The loan portfolio comprises home loans, loans to businesses, car loans and credit cards.
[4] BFS deposits include home loan offset accounts.

3.2 BFS

Continued

Net interest and trading income

Net interest and trading income relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of $A2,645 million for the year ended 31 March 2024 increased 5% from $A2,520 million in the prior year, primarily due to 11% growth in the average loan portfolio[1], 14% growth in average BFS deposit volumes[1] and the full year benefit of the rising interest rate environment. This was partially offset by margin compression from changes in portfolio mix, ongoing lending competition and higher funding costs.

As at 31 March 2024 the loan and deposit portfolios included:

- home loan volumes[2] of $A119.3 billion, up 10% from $A108.1 billion as at 31 March 2023
- business banking loan volumes of $A15.8 billion, up 22% from $A13.0 billion as at 31 March 2023
- car loan volumes of $A4.6 billion, down 25% from $A6.1 billion as at 31 March 2023, and
- BFS deposits[3] of $A142.7 billion, up 10% from $A129.4 billion as at 31 March 2023.

Wealth management fee income

Wealth management fee income relates to fees earned on a range of BFS' products and services, including the Wrap and Vision platforms and the provision of wealth services.

Funds on platform closed at $A141.8 billion at 31 March 2024, an increase of 15% from $A123.1 billion at 31 March 2023 driven by market movements and client net flows.

Wealth management fee income of $A371 million for the year ended 31 March 2024 increased 9% from $A340 million in the prior year, due to higher administration and adviser fees from higher average funds on platform.

Banking and lending fee income

Banking and lending fee income relates to fees earned on a range of BFS' products including home loans, car loans, credit cards, business loans and BFS deposits.

Banking and lending fee income of $A183 million for the year ended 31 March 2024 increased 12% from $A164 million in the prior year, mainly driven by higher lending and transaction volumes.

Net credit and other impairment reversals/(charges)

Net credit and other impairment reversals of $A15 million for the year ended 31 March 2024 compared to charges of $A34 million in the prior year were largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.

Other (expenses)/income

Other expenses of $A6 million for the year ended 31 March 2024 decreased 70% from $A20 million in the prior year, mainly driven by a lower revaluation of an equity investment.

Operating expenses

Total operating expenses of $A1,968 million for the year ended 31 March 2024 increased 12% from $A1,759 million in the prior year.

Employment expenses of $A635 million for the year ended 31 March 2024 increased 20% from $A530 million in the prior year, largely due to higher average headcount to support compliance and regulatory requirements and portfolio growth, wage inflation and one-off staff costs.

Brokerage, commission and fee expenses of $A146 million for the year ended 31 March 2024 increased 17% from $A125 million in the prior year, largely due to increased transaction volumes.

Technology expenses of $A631 million for the year ended 31 March 2024 increased 12% from $A562 million in the prior year driven by investment in digitalisation and other technology initiatives and to support portfolio growth.

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[1] Calculations based on average volumes net of offset accounts.
[2] Home loan volumes exclude offset accounts.
[3] BFS deposits include home loan offset accounts.

3.3 CGM

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 $Am	Sep 23 $Am	*Movement %*	**Mar 24 $Am**	Mar 23 $Am	*Movement %*
Net interest and trading income						
Commodities	**1,849**	1,458	*27*	**3,307**	5,852	*(43)*
Foreign exchange, interest rates and credit	**574**	574	–	**1,148**	965	*19*
Equities	**140**	188	*(26)*	**328**	366	*(10)*
Asset Finance	**39**	31	*26*	**70**	98	*(29)*
Net interest and trading income	**2,602**	2,251	*16*	**4,853**	7,281	*(33)*
Fee and commission income						
Brokerage and other trading-related fees	**162**	133	*22*	**295**	246	*20*
Other fee and commission income	**140**	138	*1*	**278**	271	*3*
Total fee and commission income	**302**	271	*11*	**573**	517	*11*
Other operating income and charges						
Net (loss)/income on equity, debt and other investments	**(15)**	17	*	**2**	61	*(97)*
Net credit and other impairment reversals/(charges)	**9**	(1)	*	**8**	(53)	*
Net operating lease income	**219**	211	*4*	**430**	374	*15*
Other income	**48**	42	*14*	**90**	100	*(10)*
Total other operating income and charges	**261**	269	*(3)*	**530**	482	*10*
Internal management revenue	**23**	–	*	**23**	28	*(18)*
Net operating income	**3,188**	2,791	*14*	**5,979**	8,308	*(28)*
Operating expenses						
Employment expenses	**(384)**	(375)	*2*	**(759)**	(675)	*12*
Brokerage, commission and fee expenses	**(216)**	(212)	*2*	**(428)**	(394)	*9*
Other operating expenses	**(840)**	(836)	*<1*	**(1,676)**	(1,419)	*18*
Total operating expenses	**(1,440)**	(1,423)	*1*	**(2,863)**	(2,488)	*15*
Net profit contribution	**1,748**	1,368	*28*	**3,116**	5,820	*(46)*
Non-GAAP metrics						
Headcount	**2,399**	2,315	*4*	**2,399**	2,223	*8*

Net profit contribution of $A3,116 million for the year ended 31 March 2024, decreased 46% from the prior year due to:

- substantially lower inventory management and trading income driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts
- decreased risk management income primarily in EMEA Gas and Power, and Resources due to decreased client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year. The decrease was partially offset by an increased contribution from Agricultural markets
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, compliance and regulatory spend and higher employment expenses.

Partially offset by:

- increased foreign exchange, interest rate and credit products income driven by increased client hedging activity in foreign exchange and interest rate products and an increased contribution from the Futures business
- increased operating lease income driven by increased volumes in technology and energy sectors.

3.3 CGM

Continued

Net interest and trading income

Net interest and trading income of $A4,853 million for the year ended 31 March 2024 decreased 33% from $A7,281 million in the prior year.

Commodities net interest and trading income

Net interest and trading income from commodity related activities is generated from the provision of hedging and risk management services and loans and working capital finance to clients across a range of commodity sectors including metals, energy and agriculture.

Income from risk management is driven by managing clients' exposure to commodity price volatility, which is supported by our strong internal risk management framework.

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including resources, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

For inventory management and trading, CGM enters into financial and physical contracts including exchange traded derivatives, OTC derivatives, storage and transport contracts as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage and transport contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accrual basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Net interest and trading income from commodities of $A3,307 million for the year ended 31 March 2024 decreased 43% from $A5,852 million in the prior year.

Risk management income decreased from the prior year, primarily in EMEA Gas and Power, and Resources due to lower client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year. This was partially offset by an increased contribution from Agricultural markets.

Lending and financing income increased on the prior year due to increased volumes across energy and resources sectors.

Inventory management and trading income was substantially lower compared to the prior year driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts.

Foreign exchange, interest rates and credit net interest and trading income

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of hedging and trading services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of $A1,148 million for the year ended 31 March 2024 increased 19% from $965 million the prior year from increased client hedging activity in foreign exchange and interest rate products, as well as an increased contribution from the Futures business.

Equities net interest and trading income

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the provision of risk management and trading activities.

Equities net interest and trading income of $A328 million for the year ended 31 March 2024 decreased 10% from $A366 million in the prior year, due to lower volatility in warrant markets.

Fee and commission income

Fee and commission income of $A573 million for the year ended 31 March 2024 increased 11% from $A517 million in the prior year.

The increase was primarily driven by increased client activity in the Futures business.

Net income/(loss) on equity, debt and other investments

Net income on equity, debt and other investments of $A2 million for the year ended 31 March 2024 decreased from $A61 million in the prior year, due to unfavourable fair value movements on a small number of unlisted equity investments.

Net credit and other impairment reverals/(charges)

Net credit and other impairment reversals of $A8 million for the year ended 31 March 2024 compared to charges of $A53 million in the prior year, were driven by an improvement in the macroeconomic outlook, partially offset by additional impairments on a small number of specific exposures in the commodities sector.

Net operating lease income

Net operating lease income of $A430 million for the year ended 31 March 2024 increased 15% from $A374 million in the prior year.

The increase was primarily driven by increased volumes in technology and energy sectors.

Operating expenses

Total operating expenses of $A2,863 million for the year ended 31 March 2024 increased 15% from $A2,488 million in the prior year.

Employment expenses of $A759 million for the year ended 31 March 2024 increased 12% from $A675 million in the prior year, due to increased average headcount and wage inflation.

Brokerage, commission and fee expenses include fees paid in relation to trading-related activities. Brokerage, commission and fee expenses of $A428 million for the year ended 31 March 2024 increased 9% from $A394 million in the prior year, due to increased trading and brokerage activities.

Other operating expenses of $A1,676 million for the year ended 31 March 2024 increased 18% from $A1,419 million in the prior year, mainly reflecting higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend.

3.4 Corporate

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 $Am	Sep 23 $Am	*Movement %*	**Mar 24 $Am**	Mar 23 $Am	*Movement %*
Net interest and trading income	**449**	454	*(1)*	**903**	226	*300*
Fee and commission income	**767**	697	*10*	**1,464**	1,296	*13*
Other operating income and charges						
Net (loss)/income on equity and debt investments	**(1)**	2	*	**1**	(11)	*
Net credit and other impairment reversals/(charges)	**9**	17	*(47)*	**26**	(27)	*
Other income and charges	**-**	8	*(100)*	**8**	57	*(86)*
Total other operating income and charges	**8**	27	*(70)*	**35**	19	*84*
Internal management charges	**(23)**	(1)	*	**(24)**	(18)	*33*
Net operating income	**1,201**	1,177	*2*	**2,378**	1,523	*56*
Operating expenses						
Employment expenses	**(1,725)**	(1,793)	*(4)*	**(3,518)**	(3,553)	*(1)*
Brokerage, commission and fee expenses	**(20)**	(1)	*	**(21)**	(2)	*
Other operating expense recoveries/(expenses)	**441**	438	*1*	**879**	422	*108*
Total operating expenses	**(1,304)**	(1,356)	*(4)*	**(2,660)**	(3,133)	*(15)*
Income tax expense	**(653)**	(510)	*28*	**(1,163)**	(1,506)	*(23)*
Net loss contribution	**(756)**	(689)	*10*	**(1,445)**	(3,116)	*(54)*
Non-GAAP metrics						
Headcount	**10,172**	10,392	*(2)*	**10,172**	9,956	*2*

Net expenses of $A1,445 million for the year ended 31 March 2024 decreased 54% from the prior year due to:

- increased net interest and trading income, primarily driven by increased earnings on capital reflecting higher central bank interest rates and higher average volumes, improved returns on Group Treasury's liquid asset portfolio, and the deployment of the Banking Group's previously elevated centrally held liquidity and funding surpluses by the Operating Groups
- reduced operating expenses driven by lower performance-related profit share expense as a result of the performance of the Consolidated Entity and lower expenses on certain legacy and other transaction-related charges
- increase in fee and commission income, reflecting higher recoveries from the Non-Bank of the Central Service Groups' cost base.

3.4 Corporate

Continued

Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, with the Operating Groups assumed to be fully debt funded for the purposes of the internal funding charges. The Corporate segment also includes earnings on capital, the funding benefit derived from the Group's capital base, funding costs associated with investments held centrally, and accounting volatility arising from movements in underlying interest rates relating to economically hedged positions where hedge accounting is not applied.

Net interest and trading income of $A903 million for the year ended 31 March 2024 increased from $A226 million in the prior year, and reflects the benefit derived from the Group's capital and liquidity management in the current interest rate environment.

The movement included increased earnings on capital reflecting higher central bank interest rates and higher average volumes, improved returns on Group Treasury's liquid asset portfolio, and deployment of the Banking Group's previously elevated centrally held liquidity and funding surpluses by the Operating Groups.

Fee and commission income

Fee and commission income in the Corporate segment primarily comprises transactions between the Bank and Non-Bank Groups.

Fee and commission income of $A1,464 million for the year ended 31 March 2024 increased 13% from $A1,296 million in the prior year, reflecting higher recoveries from the Non-Bank of the Central Service Groups' cost base.

Net credit and other impairment reversals/(charges)

Net credit and other impairment reversals of $A26 million for the year ended 31 March 2024 compared to charges of $A27 million in the prior year, were driven by a partial release of centrally held provisions for expected credit losses driven by an improvement in the macroeconomic outlook.

Employment expenses

Employment expenses relate to the Consolidated Entity's Central Service Groups including COG, FMG, RMG, LGG, and Central Executive, as well as expenses associated with the Consolidated Entity's profit share and retention plans.

Employment expenses of $A3,518 million for the year ended 31 March 2024 were broadly in line with $A3,553 million in the prior year. The current year included a reduction in employment expenses driven by a decrease in performance-related profit share expense as a result of the performance of the Consolidated Entity. This was largely offset by an increase in employment costs in the Central Service Groups due to higher average headcount and wage inflation, as well as unfavourable foreign exchange rate movements. The higher average headcount was mainly driven by investment in additional technology capability as well as increased compliance and regulatory initiatives.

Other operating expenses

Other operating expense recoveries in the Corporate segment include the recovery of Central Service Groups' costs (including employment-related costs[1]) from the Operating Groups, partially offset by non-employment related operating costs of the Corporate segment.

Other operating expenses of $A879 million for the year ended 31 March 2024 increased from $A422 million in the prior year reflecting lower expenses on certain legacy and other transaction-related charges, as well as increased recovery of a higher Central Service Group cost base.

[1] Performance-related profit share and share-based payments expenses related to Macquarie Group Employee Retained Equity Plan (MEREP) are not allocated to the Operating Groups.

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04
Balance Sheet

4.1 Statement of Financial Position

	AS AT		*MOVEMENT*
	Mar 24	Mar 23	*Mar 23*
	$Am	$Am	*%*
Assets			
Cash and bank balances	**28,055**	41,612	*(33)*
Cash collateralised lending and reverse repurchase agreements	**49,575**	43,201	*15*
Trading assets	**26,628**	15,792	*69*
Margin money and settlement assets	**16,627**	19,375	*(14)*
Derivative assets	**23,766**	35,820	*(34)*
Financial investments	**18,974**	16,899	*12*
Held for sale and other assets	**8,107**	6,278	*29*
Loan assets	**156,736**	141,760	*11*
Due from other Macquarie Group entities	**4,784**	4,421	*8*
Property, plant and equipment and right-of-use assets	**5,835**	4,577	*27*
Deferred tax assets	**1,076**	1,088	*(1)*
Total assets	**340,163**	330,823	*3*
Liabilities			
Cash collateralised borrowing and repurchase agreements	**12,599**	18,737	*(33)*
Trading liabilities	**4,937**	4,754	*4*
Margin money and settlement liabilities	**22,269**	21,913	*2*
Derivative liabilities	**25,283**	32,522	*(22)*
Deposits	**148,340**	134,648	*10*
Other liabilities	**10,280**	7,627	*35*
Due to other Macquarie Group entities	**12,288**	14,642	*(16)*
Issued debt securities and other borrowings	**71,939**	66,082	*9*
Deferred tax liabilities	**22**	23	*(4)*
Total liabilities excluding loan capital	**307,957**	300,948	*2*
Loan capital	**10,825**	9,523	*14*
Total liabilities	**318,782**	310,471	*3*
Net assets	**21,381**	20,352	*5*
Equity			
Contributed equity	**10,184**	10,161	*<1*
Reserves	**1,238**	1,057	*17*
Retained earnings	**9,959**	9,134	*9*
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited	**21,381**	20,352	*5*
Total equity	**21,381**	20,352	*5*

4.1 Statement of Financial Position

Continued

Statement of financial position

The Consolidated Entity's statement of financial position was driven by changes resulting from a combination of business activities, Group Treasury management initiatives and macroeconomic factors.

Assets

Total assets of $A340.2 billion as at 31 March 2024 increased 3% from $A330.8 billion as at 31 March 2023.

The principal drivers for the increase were as follows:

- loan assets of $A156.7 billion as at 31 March 2024 increased 11% from $A141.8 billion as at 31 March 2023, driven by loan volume growth in the BFS home loans and business lending portfolios
- trading assets of $A26.6 billion as at 31 March 2024 increased 69% from $A15.8 billion as at 31 March 2023, driven by an increase in holdings of listed equity securities in CGM
- cash collateralised lending and reverse repurchase agreements of $A49.6 billion as at 31 March 2024 increased 15% from $A43.2 billion as at 31 March 2023, driven by an increase in holdings of reverse repurchase agreements as part of Group Treasury's liquid asset portfolio management
- financial investments of $A19.0 billion as at 31 March 2024 increased 12% from $A16.9 billion as at 31 March 2023, driven by an increase in holdings of debt securities as part of Group Treasury's liquid asset portfolio management.

These increases were partially offset by:

- cash and bank balances of $A28.1 billion as at 31 March 2024 decreased 33% from $A41.6 billion as at 31 March 2023, driven by a reduction in the overnight deposit held with the Reserve Bank of Australia (RBA) as part of Group Treasury's liquid asset portfolio management
- derivative assets of $A23.8 billion as at 31 March 2024 decreased 34% from $A35.8 billion as at 31 March 2023, driven by volatility and price movements having stabilised across commodity markets, as well as the maturity of prior year positions. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was $A7.2 billion (31 March 2023: $A9.6 billion). The majority of the residual derivative exposure is short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- margin money and settlement assets of $A16.6 billion as at 31 March 2024 decreased 14% from $A19.4 billion as at 31 March 2023, due to a reduction in commodity settlement assets in CGM.

Liabilities

Total liabilities of $A318.8 billion as at 31 March 2024 increased 3% from $A310.5 billion as at 31 March 2023.

The principal drivers for the increase were as follows:

- deposits of $A148.3 billion as at 31 March 2024 increased 10% from $A134.6 billion as at 31 March 2023, driven by volume growth in retail and business banking deposits in BFS
- issued debt securities of $A71.9 billion as at 31 March 2024 increased 9% from $A66.1 billion as at 31 March 2023, driven by the issuance of short-term commercial paper and long-term bonds by Group Treasury
- other liabilities of $A10.3 billion as at 31 March 2024 increased 35% from $A7.6 billion as at 31 March 2023, driven by higher commodity-related payables from increased volumes in CGM
- loan capital of $A10.8 billion as at 31 March 2024 increased 14% from $A9.5 billion as at 31 March 2023, driven by the issuance of Tier 2 loan capital.

These increases were partially offset by:

- derivative liabilities of $A25.3 billion as at 31 March 2024 decreased 22% from $A32.5 billion as at 31 March 2023, commensurate with the movement in derivative assets. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was $A6.7 billion (31 March 2023: $A6.5 billion)
- cash collateralised borrowing and repurchase agreements of $A12.6 billion as at 31 March 2024 decreased 33% from $A18.7 billion as at 31 March 2023, due to a reduction in trading activity in CGM and partial maturity of the RBA Term-Funding Facility.

Equity

Total equity of $A21.4 billion as at 31 March 2024 increased 5% from $A20.4 billion as at 31 March 2023.

The increase in the Consolidated Entity's equity is on account of $A2.9 billion of earnings generated during the current year and a $A0.2 billion increase in foreign currency translation, largely driven by the depreciation of the Australian Dollar to the United States Dollar. These increases were partially offset by $A2.1 billion of dividend payments.

4.2 Loan Assets

Reconciliation between the statement of financial position and the funded balance sheet:

	AS AT		*MOVEMENT*
	Mar 24	Mar 23	*Mar 23*
	$Ab	$Ab	*%*
Loan assets per the statement of financial position	**156.7**	141.8	*11*
Operating lease assets	**3.2**	3.1	*3*
Other reclassifications[1]	**0.1**	0.1	–
Total loan assets including operating lease assets per the funded balance sheet[2]	**160.0**	145.0	*10*

Loan assets[2] including operating lease assets by Operating Group per the funded balance sheet are shown in further detail below:

		AS AT		*MOVEMENT*
		Mar 24	Mar 23	*Mar 23*
	Notes	**$Ab**	$Ab	*%*
BFS				
Home loans	1	**120.4**	109.0	*10*
Business banking	2	**15.7**	12.9	*22*
Car loans	3	**4.5**	6.0	*(25)*
Other	4	**0.4**	0.4	–
Total BFS		**141.0**	128.3	*10*
CGM				
Loans and finance lease assets		**3.2**	3.2	–
Operating lease assets		**2.3**	2.1	*10*
Asset Finance	5	**5.5**	5.3	*4*
Loan assets		**4.1**	3.3	*24*
Operating lease assets		**0.9**	1.0	*(10)*
Resources and commodities	6	**5.0**	4.3	*16*
Foreign exchange, interest rate and credit	7	**8.4**	7.0	*20*
Other	8	**0.1**	0.1	–
Total CGM		**19.0**	16.7	*14*
Total		**160.0**	145.0	*10*

[1] Reclassification between loan assets and other funded balance sheet categories.
[2] Total loan assets including operating lease assets per the funded balance sheet includes self-securitised assets.

4.2 Loan Assets

Continued

Explanatory notes concerning asset security of funded loan asset portfolio

1. Home loans

Loans secured by mortgages over residential property.

2. Business banking

Loan portfolio secured largely by working capital, business cash flows and real property.

3. Car loans

Secured by motor vehicles.

4. BFS Other

Includes credit cards.

5. Asset finance

Predominantly secured by underlying financed assets.

6. Resources and commodities

Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets with associated price hedging to mitigate risk.

7. Foreign exchange, interest rate and credit

Diversified lending predominantly consisting of loans which are secured by other loan collateral, assets including rights and receivables and warehoused security from mortgages and auto loans.

8. CGM Other

Equity collateralised loans.

4.3 Equity Investments

Equity investments are reported in the following categories in the Statement of financial position:
- interests in associates, joint ventures and other assets classified as held for sale; and
- financial investments excluding trading equities.

Equity investments reconciliation

	AS AT		MOVEMENT
	Mar 24	Mar 23	*Mar 23*
	$Ab	$Ab	*%*
Equity investments			
Statement of financial position			
Equity investments at fair value	**0.2**	0.3	*(33)*
Interests in associates and joint ventures	**0.5**	0.4	*25*
Total equity investments per statement of financial position	**0.7**	0.7	–
Total adjusted equity investments	**0.7**	0.7	–

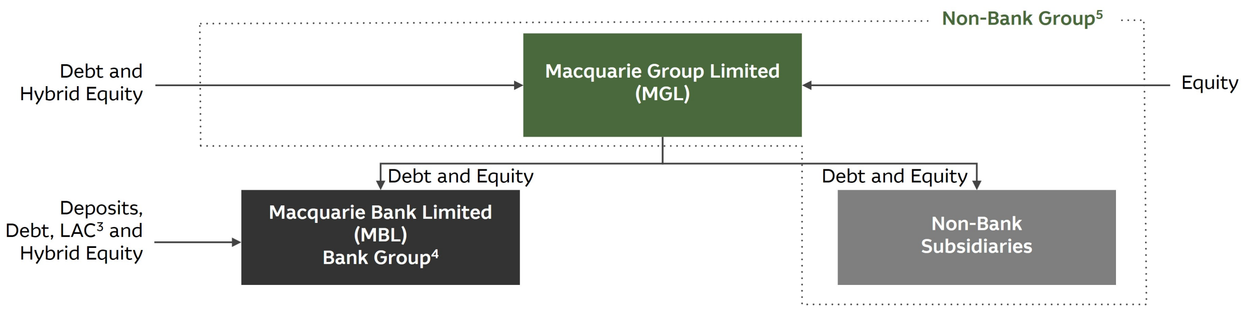
05
Funding and Liquidity

5.1 Liquidity Risk Governance and Management Framework

Governance and oversight

MGL and MBL are Macquarie's two primary external funding vehicles which have separate and distinct funding, capital and liquidity management arrangements. MGL provides funding predominantly to the Non-Bank Group[1] and limited funding to some MBL subsidiaries. MBL provides funding to the Bank Group[2].

The high level funding structure of the Group is shown below:



Macquarie Bank's liquidity risk management framework is designed to ensure that it is able to meet its obligations as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the MBL Asset and Liability Committee (ALCO), the MBL Board and the Risk Management Group (RMG). Macquarie Bank's liquidity policy is approved by the MBL Board after endorsement by the ALCO and liquidity reporting is provided to the Board on a regular basis. The MBL ALCO includes the MBL Chief Executive Officer, MGL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Group General Counsel, Co-Heads of Group Treasury and relevant Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

Liquidity policy and risk appetite

The MBL liquidity policy is designed so that the Bank Group maintains sufficient liquidity to meet its obligations as they fall due. In some cases, certain entities within the Bank Group may also be required to have a standalone liquidity policy. In these cases, the principles applied within the entity-specific liquidity policies are consistent with those applied in the broader MBL liquidity policy.

Macquarie Bank establishes a liquidity risk appetite, which is approved by the MBL Board, and represents an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving Macquarie Bank's strategic objectives. Macquarie Bank's liquidity risk appetite is intended to ensure that Macquarie Bank is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets and with only a limited reduction in Macquarie Bank's franchise businesses.

MBL is an authorised deposit-taking institution (ADI) and is funded mainly with deposits, long-term liabilities and capital.

[1] The Non-Bank Group comprises Macquarie Capital, MAM and certain assets of the Financial Markets business, certain activities of the Commodity Markets and Finance business and some other less financially significant activities of CGM.
[2] The Bank Group comprises BFS and CGM (excluding certain assets of the Financial Markets business, certain activities of the Commodity Markets and Finance business and some other less financially significant activities which are undertaken from within the Non-Bank Group).
[3] Subordinated debt to meet APRA's Loss Absorbing Capacity (LAC) requirements.
[4] MBL is the primary external funding vehicle for the Bank Group. Macquarie International Finance Limited (MIFL) and Macquarie Bank Europe (MBE) also operate as external funding vehicles for certain subsidiaries within the Bank Group.
[5] MGL is the primary external funding vehicle for the Non-Bank Group.

5.1 Liquidity Risk Governance and Management Framework

Continued

Liquidity risk tolerance and principles

Macquarie Bank's liquidity risk appetite is supported by a number of risk tolerances and principles applied to managing liquidity risk.

Risk tolerances

- Term assets must be funded by term liabilities and short-term assets must exceed short-term wholesale liabilities
- Cash and liquid assets must be sufficient to cover the expected outflow under a twelve month stress scenario and meet minimum regulatory requirements
- Cash and liquid assets held to cover stress scenarios and regulatory minimums must be high quality unencumbered liquid assets and cash
- Diversity and stability of funding sources is a key priority
- Balance sheet currency mismatches are managed within set tolerances
- Funding and liquidity exposures between entities within Macquarie Bank are monitored and constrained where required.

Liquidity management principles

- Macquarie Bank has a centralised approach to liquidity management
- Liquidity risk is managed through stress scenario analysis and setting limits on the composition and maturity of assets and liabilities
- A global liquidity framework is maintained that outlines Macquarie Bank's approach to managing funding and liquidity requirements in offshore subsidiaries and branches
- The liquidity position is managed to ensure all obligations can be met as required on an intraday basis
- A liquidity contingency plan is maintained for MBL which provides an action plan in the event of a liquidity 'crisis'
- A funding strategy is prepared annually for MBL and monitored on a regular basis
- Internal pricing allocates liquidity costs, benefits and risks to areas responsible for generating them
- Strong relationships are maintained to assist with managing confidence and liquidity
- The MBL Board, MGL Board and Senior Management receive regular reporting on Macquarie Bank's liquidity position, including compliance with liquidity policy and regulatory requirements.

Liquidity contingency plan

Group Treasury maintains a liquidity contingency plan for MBL, which outlines how a liquidity crisis would be managed. The plan defines roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plan details:

- factors that may constitute a crisis
- the officers responsible for invoking the plan
- a committee of senior executives responsible for managing a crisis
- the information required to effectively manage a crisis
- a communications strategy
- a high level checklist of possible actions to conserve or raise additional liquidity; and
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

The plan also incorporates a retail run operational plan that outlines the Bank's processes and operational plans for managing a significant increase in customer withdrawals during a potential deposit 'run' on Macquarie Bank.

In addition, Macquarie Bank monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie Bank's liquidity position. These indicators are reviewed by Senior Management and are used to inform any decisions regarding invoking the plan.

The liquidity contingency plan is subject to regular review by both Group Treasury and RMG. It is submitted annually to the MBL ALCO and MBL Board for approval.

Macquarie Bank is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the liquidity contingency plan contains either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

Funding strategy

Macquarie Bank prepares a funding strategy for MBL on an annual basis and monitors progress against the strategy throughout the year. The funding strategy aims to maintain Macquarie Bank's diversity of funding sources, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth. The funding strategy is reviewed by the MBL ALCO and approved by the MBL Board.

5.2 Management of Liquidity Risk

Scenario analysis

Scenario analysis is central to Macquarie Bank's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie Bank name-specific crises. Scenario analysis performs a range of functions within the liquidity risk management framework, including being a basis for:

- monitoring compliance with internal liquidity risk appetite statements by ensuring all liquidity obligations can be met in the corresponding scenarios
- determining a minimum level of cash and liquid assets
- determining an appropriate minimum tenor of funding for Macquarie Bank's assets; and
- determining the overall capacity for future asset growth.

The scenarios use a range of assumptions, which Macquarie Bank intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie Bank name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie Bank's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

Liquid asset holdings

Group Treasury centrally maintains a portfolio of highly liquid unencumbered assets which are intended to ensure adequate liquidity is available under a range of market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario analysis and regulatory requirements.

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High-Quality Liquid Assets (HQLA) and other Reserve Bank of Australia (RBA) repo eligible securities. Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio.

The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches. Certain other Operating Segments also hold cash and liquid assets as part of their operations. The Bank Group had $A63.0 billion cash and liquid assets as at 31 March 2024 (31 March 2023: $A70.0 billion).

Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the funding costs arising from business actions and the separate funding tasks and liquidity requirements of the Bank Group. Under this framework, each business is allocated the appropriate cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. The Operating Groups are assumed to be fully debt funded for the purposes of internal funding charges.

5.2 Management of Liquidity Risk

Continued

Credit ratings[1]

	MACQUARIE BANK LIMITED	
	Short-term rating	Long-term rating
Moody's Ratings	P-1	Aa2/Stable
Standard and Poor's	A-1	A+/Stable
Fitch Ratings	F-1	A/Stable

Regulatory liquidity metrics

The Australian Prudential Regulation Authority's (APRA) liquidity standard (APS 210) details the local implementation of the Basel III liquidity framework for Australian banks. In addition to a range of qualitative requirements, the standard incorporates the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR and NSFR apply specifically to Macquarie Bank as a regulated ADI. Separate quantitative requirements are imposed internally by the MBL ALCO and Board.

Liquidity Coverage Ratio

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days. Under APS 210, the eligible stock of high-quality liquid assets (HQLA) includes notes and coins, balances held with central banks, Australian dollar Commonwealth Government and semi-government securities, as well as certain HQLA-qualifying foreign currency securities.

Macquarie Bank's three month average LCR to 31 March 2024 was 191% (average based on daily observations)[2]. For a detailed breakdown of Macquarie Bank's LCR, please refer to Macquarie's regulatory disclosures (available on Macquarie's website).

Net Stable Funding Ratio

The NSFR is a twelve month structural funding metric, requiring that available stable funding be sufficient to cover required stable funding, where stable funding has an actual or assumed maturity of greater than twelve months. Macquarie Bank's NSFR as at 31 March 2024 was 115%[3]. For a detailed breakdown of Macquarie Bank's NSFR, please refer to Macquarie's regulatory disclosures (available on Macquarie's website).

[1] A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.
[2] APRA imposed a 15% add-on to the net cash outflow component of Macquarie Bank's LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022 onwards.
[3] APRA imposed a 1% decrease to the available stable funding component of Macquarie Bank's NSFR calculation, effective from 1 April 2021.

5.3 Funded Balance Sheet

The Bank Group's statement of financial position is prepared based on Australian Accounting Standards. The funded balance sheet is a simple representation of Macquarie Bank's funding requirements once accounting related gross-ups and self-funded assets have been netted down from the statement of financial position. The funded balance sheet is not a liquidity risk management tool, as it does not consider the granular liquidity profiling of all on and off-balance sheet components considered in both Macquarie Bank's internal liquidity framework and the regulatory liquidity metrics.

The table below reconciles the reported assets of the Bank Group to the net funded assets as at 31 March 2024.

		AS AT	
	Notes	**Mar 24 $Ab**	Mar 23 $Ab
Total assets per the Bank Group's statement of financial position		**340.2**	330.8
Accounting deductions:			
Derivative revaluation	1	**(25.3)**	(32.5)
Segregated funds	2	**(11.8)**	(8.4)
Outstanding trade settlement balances	3	**(1.9)**	(2.0)
Working capital assets	4	**(10.0)**	(7.8)
Intercompany gross-ups	5	**(12.3)**	(14.6)
Self-funded assets:			
Self-funded trading assets	6	**(12.5)**	(17.2)
Net funded assets		**266.4**	248.3

Explanatory notes concerning net funded assets

1. Derivative revaluation

Offsetting derivative positions do not generally require funding and therefore gross revaluations are netted in the funded balance sheet. Derivative positions that result in a funding requirement are included as part of net trading assets.

2. Segregated funds

These represent the assets and liabilities that are recognised where the Bank Group holds segregated client monies. The client monies will be matched by assets held to the same amount. Any excess client funds placed with the Bank Group are netted down against cash and liquid assets.

3. Outstanding trade settlement balances

At any particular time the Bank Group will have outstanding trades to be settled as part of its brokering business and trading activities. These amounts (payables) can be offset in terms of funding by amounts that the Bank Group is owed on other trades (receivables).

4. Working capital assets

As with the outstanding trade settlement balances above, the Bank Group through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that either requires or provides funding.

5. Intercompany gross-ups

These represent balances related to the net payable position between the Bank Group and Non-Bank Group arising out of intragroup transactions, loans and deposits. This includes the Non-Bank Group balances with the Bank Group shown in the Bank Group funded balance sheet.

6. Self-funded trading assets

The Bank Group enters into stock borrowing and lending as well as repurchase agreements and reverse repurchase agreements in the normal course of trading activity that it conducts with its clients and counterparties, as well as for liquidity management purposes. Also as part of its trading activities, the Bank Group pays and receives margin collateral on its outstanding derivative positions. These trading and liquidity management related asset and liability positions are viewed as being self-funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.

5.4 Funding Profile

Funded balance sheet

	Notes	AS AT Mar 24 $Ab	Mar 23 $Ab
Funding sources			
Commercial paper and certificates of deposit	1	**29.7**	29.8
Net trade creditors	2	**2.2**	2.7
Structured notes	3	**0.5**	0.5
Secured funding	4		
Securitisation		**11.6**	11.4
Other secured funding		**12.4**	14.5
Bonds	5	**20.9**	18.9
Unsecured loans	6	**8.6**	6.1
Customer deposits	7	**148.3**	134.5
Subordinated debt	8	**8.4**	7.2
Equity and hybrids	9	**23.8**	22.7
Total		**266.4**	248.3
Funded assets			
Cash and liquid assets	10	**63.0**	70.0
Net trading assets	11	**45.3**	39.1
Other loan assets including operating lease assets less than one year	12	**12.7**	13.5
Home loans	13	**120.4**	109.0
Other loan assets including operating lease assets greater than one year	12	**26.9**	22.5
Debt investments	14	**2.6**	2.4
Non-Bank Group balances with the Bank Group		**(7.3)**	(10.0)
Co-investment in Macquarie-managed funds and other equity investments	15	**0.7**	0.7
Property, plant and equipment and intangibles		**2.1**	1.1
Total		**266.4**	248.3

See Section 5.5 for Notes 1-15.

5.4 Funding Profile

Continued

Term funding initiatives

The Bank Group has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2023, the Bank Group has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2023 and 31 March 2024:

		Bank Group
		$Ab
Issued paper	– Senior and subordinated	8.7
Secured funding	– Term securitisation and other secured finance	5.0
Loan facilities	– Unsecured loan facilities	1.5
Total		**15.2**

The Bank Group has continued to develop its major funding markets and products during the year ended 31 March 2024.

From 1 April 2023 to 31 March 2024, the Bank Group raised $A15.2 billion[1] of term funding including:

- $A8.7 billion of term wholesale issued paper comprising of $A7.4 billion of senior unsecured debt and $A1.3 billion of subordinated unsecured debt
- $A3.3 billion of securitisation issuance
- $A1.7 billion refinance of secured trade finance facilities; and
- $A1.5 billion of unsecured loan facilities.

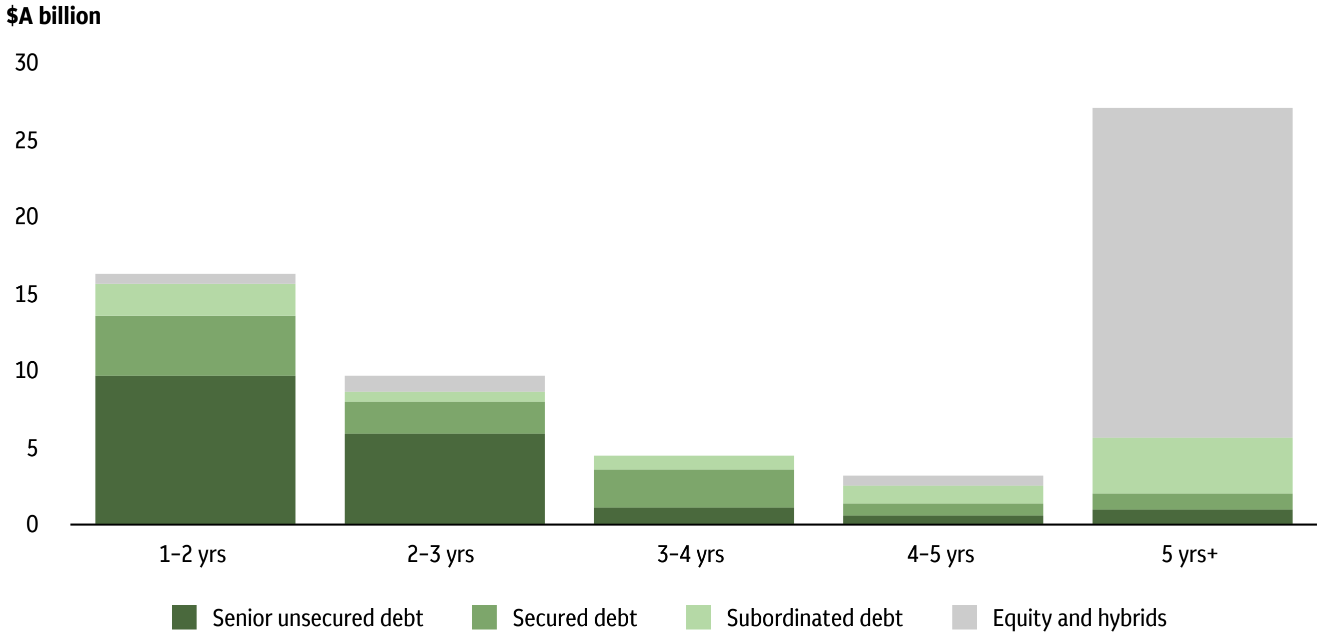
[1] Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on foreign exchange rates at the time of issuance. Includes refinancing of loan facilities.

5.4 Funding Profile

Continued

Term funding profile

Detail of drawn funding maturing beyond one year



	AS AT MAR 24					
	1–2 yrs $Ab	2–3 yrs $Ab	3–4 yrs $Ab	4–5 yrs $Ab	5 yrs+ $Ab	**Total $Ab**
Structured notes[1]	—	—	0.1	0.1	0.2	**0.4**
Bonds	6.0	5.7	0.3	—	0.9	**12.9**
Unsecured loans	3.8	0.3	0.8	0.5	—	**5.4**
Senior unsecured debt	**9.8**	**6.0**	**1.2**	**0.6**	**1.1**	**18.7**
Securitisation[1]	3.0	1.9	1.5	0.8	1.0	**8.2**
Other secured funding	0.9	0.1	1.0	—	—	**2.0**
Secured debt	**3.9**	**2.0**	**2.5**	**0.8**	**1.0**	**10.2**
Subordinated debt[2]	2.0	0.7	0.9	1.2	3.6	**8.4**
Equity and hybrids[2]	0.6	1.1	—	0.7	21.4	**23.8**
Total term funding sources drawn	**16.3**	**9.8**	**4.6**	**3.3**	**27.1**	**61.1**
Undrawn[3]	0.6	0.5	0.1	0.1	0.1	**1.4**
Total term funding sources drawn and undrawn	**16.9**	**10.3**	**4.7**	**3.4**	**27.2**	**62.5**

Macquarie Bank has diversity of funding across a range of tenors, currencies and products. The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 3.1 years as at 31 March 2024.

As at 31 March 2024, in addition to term funding in table above, customer deposits represented $A148.3 billion (56% of the Bank Group's total funding). Short-term (maturing in less than 12 months) commercial paper and certificates of deposit represented $A29.7 billion (11% of total funding), and other debt funding maturing within 12 months and net trade creditors represented $A27.3 billion (10% of total funding).

[1] Securitisation and structured notes are profiled using a behavioural maturity profile.
[2] Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.
[3] Includes securitisations which are profiled using a behavioural maturity profile and subject to eligible collateral being available.

5.4 Funding Profile

Continued

The key tools used for raising debt funding, which primarily fund MBL and the Bank Group, are as follows[1]:

- $US25 billion Regulation S Debt Instrument Programme under which $US7.4 billion of debt securities were outstanding as at 31 March 2024
- $US25 billion MBL Commercial Paper Program under which $US12.9 billion of debt securities were outstanding as at 31 March 2024
- $US20 billion US Rule 144A/Regulation S Medium-Term Note Program, including senior and subordinated notes, under which $US9.8 billion of debt securities were outstanding as at 31 March 2024
- $A11.6 billion of external securitisation of which $A9.3 billion PUMA RMBS and $A2.3 billion SMART ABS was drawn as at 31 March 2024
- $US10 billion European Commercial Paper Programme, including Euro Commercial Paper and Euro Certificates of Deposit, under which $US3.6 billion of debt securities were outstanding as at 31 March 2023
- $A10 billion Covered Bond Programme under which $A1 billion of debt securities were outstanding as at 31 March 2024
- $A10 billion Regulation S Subordinated Notes Debt Programme under which $A1.3 billion of debt securities were outstanding as at 31 March 2024
- $US5 billion MIFL Commercial Paper Programme under which $US1 billion of debt securities were outstanding as at 31 March 2024
- $US5 billion Structured Note Programme under which $US0.3 billion of structured notes were outstanding as at 31 March 2024
- $A6 billion[2] of Unsecured Loan Facilities of which $A5.7 billion was drawn as at 31 March 2024
- $A2.4 billion of other subordinated unsecured debt outstanding as at 31 March 2024
- $US1.1 billion[3] Secured Trade Finance Facility of which $US0.9 billion[3] was drawn as at 31 March 2024; and
- $A9.6 billion[4] of RBA Term Funding Facility outstanding as at 31 March 2024.

Macquarie Bank accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposit. As at 31 March 2024, Macquarie Bank had $A0.4 billion of these securities outstanding.

Macquarie Bank as a RITS[5] member is able to access the RBA daily market operations.

[1] Funding outstanding excludes capitalised costs.
[2] Includes issuance out of MIFL and MBE. Values are Australian dollar equivalents as at 31 March 2024.
[3] Values are US dollar equivalents as at 31 March 2024.
[4] RBA TFF outstanding as at 31 March 2024, comprises of Additional and Supplementary Allowances.
[5] Reserve Bank Information and Transfer System.

5.4 Funding Profile

Continued

Deposit strategy

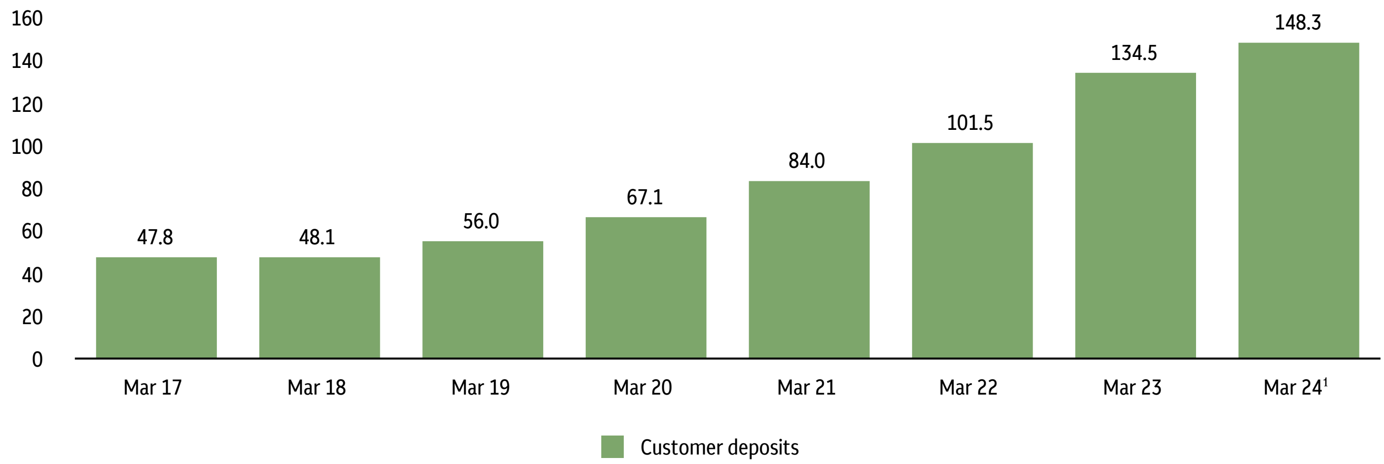
MBL continues to pursue a deposit strategy that is consistent with the core liquidity management strategy of achieving diversity and stability of funding sources. The strategy is focused on growing the BFS deposit base, which represents a stable and reliable source of funding and reduces Macquarie Bank's reliance on wholesale funding markets.

In particular, MBL is focused on the quality and diversification of the deposit base, targeting transactional and relationship-based deposits. MBL is covered by the Financial Claims Scheme (FCS), an Australian Government scheme that provides protection to depositors up to a limit of $A250,000 per account holder per ADI.

The chart below illustrates the customer deposit growth since 31 March 2017.

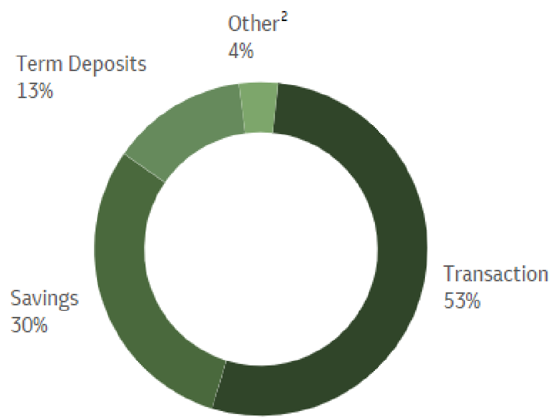
Customer deposits

$A billion

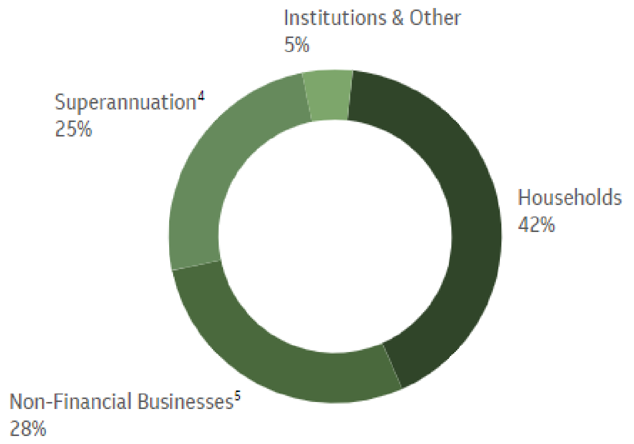


Composition of customer deposits

By Type[1]



By Counterparty[3]



[1] Total customer deposits include BFS deposits of $A142.7 billion and $A5.6 billion of corporate/wholesale deposits, including those taken by MBE as at 31 March 2024.
[2] Includes corporate/wholesale deposits.
[3] As at 31 March 2024 for Total Residents Deposits on Australian books per APRA Monthly Authorised Deposit Taking Institution Statistics (MADIS).
[4] Predominantly Self-Managed Super Funds.
[5] Predominantly Private Enterprises and Trusts.

5.5 Explanatory Notes Concerning Funding Sources and Funded Assets

1. Commercial paper and certificates of deposit

Short-term wholesale funding.

2. Net trade creditors

Short-term working capital balances (debtors and creditors) are created through the Bank Group's day-to-day operations. A net funding use (or source) will result due to timing differences in cash flows.

3. Structured notes

Includes debt instruments on which the return is linked to a number of variables including interest rates, currencies, equities and credit. They are generally issued as part of structured transactions with clients and are hedged with positions in underlying assets or derivative instruments.

4. Secured funding

Funding arrangements secured against an asset (or pool of assets) including securitisations.

5. Bonds

Unsecured long-term wholesale funding.

6. Unsecured loans

Loan facilities not secured by specific assets or collateral.

7. Customer deposits

BFS customer deposits and other corporate/wholesale deposits. The Australian Government Financial Claims Scheme covers eligible deposits in Macquarie Bank.

8. Subordinated debt

Long-term debt obligations.

9. Equity and hybrids

Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments as at 31 March 2024 include MACS, BCN 2 and BCN3.

10. Cash and liquid assets

Cash and liquid assets are held as cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High-Quality Liquid Assets (HQLA), and other RBA repo eligible securities.

11. Net trading assets

The net trading asset balance consists of financial markets, commodities and equity trading assets including the net derivative position, any trading-related receivables or payables and margin or collateral balances.

12. Other loan assets including operating lease assets

This represents loans provided to retail and wholesale borrowers, as well as assets held under operating leases. Excludes home loans.

See section 4.2 for further information.

13. Home loans

Loans secured by mortgages over residential property.

14. Debt investments

These can include various categories of debt securities including asset backed securities, bonds, commercial mortgage backed securities and residential mortgage backed securities.

15. Co-investment in Macquarie-managed funds and other equity investments

These include equity investments at fair value, interests in associates and joint ventures and other equity investments.

06
Capital

6.1 Bank Group Capital

The Bank Group is regulated by APRA and is required to hold a minimum level of regulatory capital to cover its regulatory risk-weighted assets (RWA).

The Bank Group is accredited by APRA under the Basel Foundation Internal Ratings Based approach (FIRB) for credit risk and the Internal Model Approach for market risk and interest rate risk in the banking book (IRRBB). These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices. Operational risk is subject to the Standardised Measurement Approach.

Capital disclosures in this section include APRA Basel III and Harmonised Basel III[1]. The former reflects Macquarie's regulatory requirements under APRA Basel III rules, whereas the latter is relevant for comparison with banks regulated by regulators other than APRA.

Pillar 3

The APRA Prudential Standard APS 330 Public Disclosure (APS 330) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy. Pillar 3 documents are available on Macquarie's website.

Common Equity Tier 1 Capital

The Bank Group's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves, less prescribed regulatory adjustments. MBL periodically pays dividends to MGL. As required, MGL may inject capital into MBL to support projected business growth.

Tier 1 Capital

Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids). Additional Tier 1 capital as at 31 March 2024 consists of MACS, BCN2 and BCN3.

MACS were issued by MBL, acting through its London Branch in March 2017. MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every fifth anniversary thereafter. MACS can be exchanged for a variable number of fully paid MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN2 were issued by MBL in June 2020 and are quoted on the Australian Securities Exchange. The BCN2 pay discretionary, quarterly floating rate cash distributions equal to three month BBSW plus 4.70% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN3 were issued by MBL in August 2021 and are quoted on the Australian Securities Exchange. The BCN3 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 2.90% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 7 September 2028, 7 March 2029, or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

[1] Harmonised Basel III estimates are calculated in accordance with the updated BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.

6.1 Bank Group Capital

Continued

Bank Group Basel III Tier 1 Capital

	AS AT MAR 24		AS AT SEP 23		MOVEMENT	
	APRA Basel III	**Harmonised Basel III**	APRA Basel III	Harmonised Basel III	*APRA Basel III*	*Harmonised Basel III*
	$Am	**$Am**	$Am	$Am	*%*	*%*
Common Equity Tier 1 capital						
Paid-up ordinary share capital	**10,182**	**10,182**	10,148	10,148	*<1*	*<1*
Retained earnings	**9,934**	**9,735**	8,698	8,500	*14*	*15*
Reserves	**1,237**	**1,237**	1,302	1,302	*(5)*	*(5)*
Gross Common Equity Tier 1 capital	**21,353**	**21,154**	20,148	19,950	*6*	*6*
Regulatory adjustments to Common Equity Tier 1 capital:						
Goodwill	**40**	**40**	41	41	*(2)*	*(2)*
Deferred tax assets	**1,032**	**57**	963	79	*7*	*(28)*
Net other fair value adjustments	**105**	**105**	169	169	*(38)*	*(38)*
Intangible component of investments in subsidiaries and other entities	**40**	**40**	40	40	*1*	–
Capitalised expenses	**783**	**–**	752	–	*4*	–
Shortfall in provisions for credit losses	**487**	**251**	246	13	*98*	*
Equity exposures	**1,080**	**–**	1,044	–	*3*	–
Capitalised software	**8**	**8**	9	9	*(13)*	*(11)*
Other Common Equity Tier 1 capital deductions	**70**	**48**	172	158	*(59)*	*(70)*
Total Common Equity Tier 1 capital deductions	**3,645**	**549**	3,436	509	*6*	*8*
Net Common Equity Tier 1 capital	**17,708**	**20,605**	16,712	19,441	*6*	*6*
Additional Tier 1 Capital						
Additional Tier 1 capital instruments	**2,446**	**2,446**	2,463	2,463	*(1)*	*(1)*
Gross Additional Tier 1 capital	**2,446**	**2,446**	2,463	2,463	*(1)*	*(1)*
Deduction from Additional Tier 1 capital	**–**	**–**	–	–	–	–
Net Additional Tier 1 capital	**2,446**	**2,446**	2,463	2,463	*(1)*	*(1)*
Total Net Tier 1 capital	**20,154**	**23,051**	19,175	21,904	*5*	*5*

6.1 Bank Group Capital

Continued

Bank Group Basel III Risk-Weighted Assets (RWA)

	AS AT MAR 24		AS AT SEP 23		*MOVEMENT*	
	APRA Basel III $Am	Harmonised Basel III $Am	APRA Basel III $Am	Harmonised Basel III $Am	*APRA Basel III %*	*Harmonised Basel III %*
Credit risk						
Subject to IRB approach:						
Corporate[1]	**29,478**	**21,580**	29,291	21,347	*1*	*1*
SME Corporate	**8,733**	**6,137**	8,445	5,916	*3*	*4*
Sovereign	**343**	**2,229**	317	2,248	*8*	*(1)*
Financial Institution	**10,601**	**8,848**	10,232	8,794	*4*	*1*
Residential mortgage[2]	**23,206**	**12,035**	22,256	11,466	*4*	*5*
Other retail	**1,452**	**1,320**	1,704	1,549	*(15)*	*(15)*
Retail SME	**1,245**	**1,132**	1,390	1,264	*(10)*	*(10)*
Total RWA subject to IRB approach	**75,058**	**53,281**	73,635	52,584	*2*	*1*
Specialised lending exposures subject to slotting criteria[3]	**7,447**	**7,447**	6,591	6,591	*13*	*13*
Subject to Standardised approach:						
Corporate	**1,996**	**2,934**	2,234	3,090	*(11)*	*(5)*
Residential mortgage	**663**	**663**	729	729	*(9)*	*(9)*
Other Retail	**824**	**824**	848	848	*(3)*	*(3)*
Total RWA subject to Standardised approach	**3,483**	**4,421**	3,811	4,667	*(9)*	*(5)*
Credit risk RWA for securitisation exposures	**765**	**1,053**	685	889	*12*	*18*
Credit Valuation Adjustment RWA	**6,578**	**6,578**	8,679	8,679	*(24)*	*(24)*
Exposures to Central Counterparties RWA	**526**	**526**	594	594	*(11)*	*(11)*
RWA for Other Assets[4]	**4,393**	**7,612**	3,788	6,747	*16*	*13*
Total Credit risk RWA	**98,250**	**80,918**	97,783	80,751	*<1*	*–*
Equity risk exposures RWA	**–**	**2,700**	–	2,609	*–*	*3*
Market risk RWA	**10,529**	**10,529**	9,011	9,011	*17*	*17*
Operational risk RWA	**17,512**	**16,256**	15,828	15,559	*11*	*4*
Interest rate risk in banking book RWA	**3,748**	**–**	3,706	–	*1*	*–*
Total Bank Group RWA	**130,039**	**110,403**	126,328	107,930	*3*	*2*
Capital ratios						
Bank Group Level 2 Common Equity Tier 1 capital ratio (%)	**13.6**	**18.7**	13.2	18.0		
Bank Group Level 2 Tier 1 capital ratio (%)	**15.5**	**20.9**	15.2	20.3		

[1] Corporate asset class includes Large Corporates.
[2] Residential mortgage RWA at Mar 24 include a $2.3b overlay as advised by APRA for the purpose of calibrating MBL's IRB residential mortgages model.
[3] Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.
[4] The major components of Other Assets are unsettled trades, fixed assets and residual value of operating leases.

07 Glossary

7.1 Glossary

Defined term	Definition
A	
AASB	Australian Accounting Standards Board.
ABS	Asset Backed Securities.
ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: • provide a permanent and unrestricted commitment of funds; • are freely available to absorb losses; • rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and • provide for fully discretionary capital distributions.
Additional Tier 1 Deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 *Capital Adequacy: Measurement of Capital*.
ALCO	The Asset and Liability Committee.
APRA	Australian Prudential Regulation Authority.
Asset Finance	Asset Finance is a global provider of specialist finance and asset management solutions across: Technology, Media and Telecoms; Energy, Renewables and Sustainability; Fund Finance; Resources; Structured Lending; and Shipping and Export Credit Agencies.
Associates	Associates are entities over which Macquarie has significant influence, but not control. Investments in associates may be further classified as Held for sale ('HFS') associates. HFS associates are those that have a high probability of being sold within 12 months to external parties. Associates that are not held for sale are carried at cost and equity-accounted. Macquarie's share of the investment's post-acquisition profits and losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised within equity.
B	
Bank Group	MBL and its subsidiaries.
Bank Group Capital	Level 2 regulatory group capital.
Banking Group	The Banking Group comprises BFS and most business activities of CGM.
Basel III IRB Formula	A formula to calculate RWA, as defined in Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk.
BCBS	Basel Committee on Banking Supervision.
BCN2	On 2 June 2020, MBL issued 6.4 million Macquarie Bank Capital Notes 2 (BCN2) at a face value of $A100 each. BCN2 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
BCN3	On 27 August 2021, MBL issued 6.5 million Macquarie Bank Capital Notes 3 (BCN3) at a face value of $A100 each. BCN3 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 7 September 2028, 7 March 2029 or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
BBSW	Australian Financial Markets Association's bank-bill rate published daily on AAP Reuters website. The Australian equivalent of LIBOR, SIBOR, etc.
BFS	Banking and Financial Services.

7.1 Glossary

Continued

Defined term	Definition
BFS deposits	BFS deposits are deposits by counterparties including individuals, self-managed super funds, and small-medium businesses. Deposit products include Cash Management Account, Term Deposits, Regulated Trust Accounts, and Transaction Accounts.
C	
CCB	Capital Conservation Buffer.
Central Service Groups	The Central Service Groups consist of the Corporate Operations Group, Financial Management Group, Risk Management Group, Legal and Governance and Central Executive.
CGM	Commodities and Global Markets.
Common Equity Tier 1 Capital	A capital measure defined by APRA, comprising the highest quality components of capital that fully satisfy all the following essential characteristics: • provide a permanent and unrestricted commitment of funds; • are freely available to absorb losses; • do not impose any unavoidable servicing charge against earnings; and • rank behind the claims of depositors and other creditors in the event of winding up. Common Equity Tier 1 Capital comprises paid up capital, Retained earnings, and certain reserves.
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
Common Equity Tier 1 Deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
E	
ECAM	Economic Capital Adequacy Model.
Effective tax rate	The income tax expense as a percentage of the profit before income tax, both adjusted for amounts attributable to non-controlling interests (if applicable). The effective tax rate differs from the Australian company tax rate due to permanent differences arising from the income tax treatment of certain income and expenses as well as tax rate differentials on some of the income earned offshore.
Expense/Income ratio	Total operating expenses expressed as a percentage of Net operating income.
F	
Financial Report	Macquarie Bank Limited Annual Financial Report.
FIRB	Foundation Internal Ratings Based Approach (for determining credit risk).
FVOCI	Fair value through other comprehensive income.
FVTPL	Fair value through profit or loss.
FY2023	The year ended 31 March 2023.
FY2024	The year ended 31 March 2024.
H	
Headcount	Headcount represents Macquarie's active permanent and variable workforce, and includes Macquarie employees (permanent and casual) and its contingent workers (contractors, agency workers and secondees). Macquarie's non-executive directors are not included.
HQLA	High-quality liquid assets.

7.1 Glossary

Continued

Defined term	Definition
M	
Macquarie Bank, the Consolidated Entity	Macquarie Bank Limited and its subsidiaries.
Macquarie Group	Macquarie Group Limited and its subsidiaries.
MACS	On 8 March 2017, MBL, acting through its London Branch, issued $US750 million of Macquarie Additional Capital Securities (MACS). MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every 5th anniversary thereafter. MACS can be exchanged for a variable number of MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MAMHPL	Macquarie Asset Management Holdings Pty Ltd.
MBL, the Company	Macquarie Bank Limited ABN 46 008 583 542.
MCN3	On 7 June 2018, MGL issued 10 million Macquarie Group Capital Notes 3 (MCN3) at a face value of $A100 each. MCN3 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 16 December 2024, 16 June 2025 or 15 December 2025 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 15 December 2027; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MCN4	On 27 March 2019, MGL issued 9.1 million Macquarie Group Capital Notes 4 (MCN4) at a face value of $A100 each. MCN4 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 10 September 2026, 10 March 2027 or 10 September 2027 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN4 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 10 September 2029; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MCN5	On 17 March 2021, MGL issued 7.25 million Macquarie Group Capital Notes 5 (MCN5) at a face value of $A100 each. MCN5 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 18 September 2027, 18 March 2028 or 18 September 2028 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN5 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 18 September 2030; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MCN6	On 15 July 2022, MGL issued 7.5 million Macquarie Group Capital Notes 6 (MCN6) at a face value of $A100 each. MCN6 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 12 September 2029, 12 March 2030 or 12 September 2030 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN6 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 12 September 2032; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MEREP	Macquarie Group Employee Retained Equity Plan.
MFHPL	Macquarie Financial Holdings Pty Limited.
MGL	Macquarie Group Limited ABN 94 122 169 279.

7.1 Glossary

Continued

Defined term	Definition
N	
Net loan losses	The impact on the income statement of loan amounts provided for or written-off during the period, net of the recovery of any such amounts which were previously written-off or provided for in the income statement.
Net Trading Income	Income that comprises gains and losses related to trading assets and liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.
Non-Bank Group	MGL, MFHPL and its subsidiaries, and MAMHPL and its subsidiaries.
Non-Banking Group	The Non-Banking Group comprises Macquarie Capital, Macquarie Asset Management and some business activities of CGM.
Non-GAAP metrics	Non-GAAP metrics include financial measures, ratios and other information that are neither required nor defined under Australian Accounting Standards.
O	
Operating Groups	The Operating Groups consist of BFS and CGM.
OTC	Over-the-counter
R	
RBA	Reserve Bank of Australia.
Risk-weighted assets (RWA)	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
RMBS	Residential Mortgage-Backed Securities.
S	
Senior Management	Members of Macquarie's Executive Committee and Executive Directors who have a significant management or risk responsibility in the organisation.
Subordinated debt	Debt issued by Macquarie for which agreements between Macquarie and the lenders provide, in the event of liquidation, that the entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of Macquarie. Subordinated debt is classified as liabilities in the Macquarie financial statements and may be included in Tier 2 Capital.
T	
TFF	Reserve Bank of Australia Term Funding Facility.
Tier 1 Capital	Tier 1 Capital comprises (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital.
Tier 1 Capital Deductions	Tier 1 Capital Deductions comprises (i) Common Equity Tier 1 Capital Deductions; and (ii) Additional Tier 1 Capital Deductions.
Tier 1 Capital Ratio	Tier 1 Capital net of Tier 1 Capital Deductions expressed as a percentage of RWA.
U	
UK	The United Kingdom.
US	The United States of America.

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